

# HIPAA, It's Not Just for Hospitals Anymore

*Data Center Obligations Under HIPAA/HITECH*

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## Outline

- I. What is Privacy?
- II. What is Privacy in Healthcare and Why Should Data Centers and IT Vendors Care?
  - A. Regulatory Framework
  - B. Who are the Regulators and Enforcers?
  - C. Case Studies
- III. What Should You do Now?




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## The Foundation of Privacy

- **Federal Laws**
  - US Constitution
  - Statutes
    - Federal Trade Commission Act (1914) - Section 5
    - Electronic Communications Privacy Act (1986)
    - Computer Security Act (1987)
    - Gramm-Leach-Bliley Act (1999)
    - Sarbanes-Oxley Act (2002)
    - Health Insurance Portability and Accountability Act (1996) and the more recent Health Information Technology for Economic and Clinical Health Act (2009)
    - *Many more...*




## U.S. Constitution

- **Supreme Court Cases**
  - *Griswold v. Connecticut* – emanations from penumbras
  - *Roe v. Wade* – the right of women to choose
  - *Whalen v. Roe* – privacy vs. the public interest



## U.S. Constitution


- **Context Matters**
  - “The Constitution does not explicitly mention any right of privacy” - *Roe v. Wade*
  - “Zones of privacy” - *Griswold v. Connecticut*
    - First Amendment: Right of association
    - Third Amendment: Right not to have to quarter soldiers
    - Fourth Amendment: Right against unreasonable search and seizure (“expectation of privacy”)
    - Fifth Amendment: Right against self-incrimination
    - Ninth Amendment: Preservation of unenumerated rights



## U.S. Constitution


- **Context Matters**
  - Justice Potter Stewart's famous quote, Stewart wrote:
 

“I shall not today attempt further to define the kinds of material I understand to be embraced within that shorthand description; and perhaps I could never succeed in intelligibly doing so. **But I know it when I see it**, and the motion picture involved in this case is not that.”




## Federal Legislation

- **Context Still Matters**
  - **Targeted Information**
    - Financial (GLBA)
    - Medical (HIPAA)
  - Specific identification of information deemed to be “private”
  - **Targeted Constituency**
    - Consumers (FTC Section 5)
    - Children (COPPA)
  - Specific identification of obligations regarding the use of particular information



## State Laws

- **State Laws** - Various state statutes addressing
  - Social Security Numbers
  - Drivers licenses
  - Protection of health care information
  - Recordkeeping and data destruction
  - Breach disclosure




## Industry Standards

- EHNAC (Electronic Healthcare Network Accreditation Commission)
  - an independent, federally recognized, standards development organization
- PCI DSS
- NIST
  - sets standards for U.S. federal agencies, which often become the de-facto standards throughout industry


## International Laws

- **E.U. Privacy Directive 95/46/EC**
  - Addresses the collection, use, processing, and movement of personal data
- **E.U. Internet Privacy Law of 2002** (Directive 2002/58/EC)
  - Protects data in electronic transactions
- Individuals countries have their own laws



## What do the Laws Cover?

- **Laws Govern**
  - What information can be collected
  - How it must be stored and secured
  - Under what circumstances it can be shared
  - Under what circumstances it can be disclosed
  - Requirements for responding to data breaches and data losses
  - Penalties for data breaches and data losses



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## Regulatory Framework



Our focus is on:

Healthcare Data Privacy and Security



## Regulatory Framework

- **Federal level**
  - HIPAA (1996) (*Health Insurance Portability and Accountability Act*)
  - HITECH (2009) (*Health Information Technology for Economic and Clinical Health Act*)

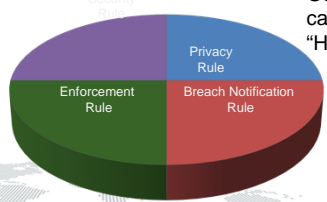
## Regulatory Framework

- **State level**
  - HIPAA sets baseline protection and disclosure requirements
  - State laws can be more restrictive
    - California, Massachusetts
    - Mental health, STDs






## Regulatory Framework

- **HIPAA**
  - Has “implementing regulations” – 4 Rules:





Generally called the “HIPAA Rules”

## Regulatory Framework

- **HIPAA**
  - HIPAA Omnibus Final Rule
    - Published in Federal Register (FR) on January 25, 2013
    - Effective Date: September 23, 2013 (with some exceptions)
    - Changes made to the HIPAA Rules because of the HITECH Act (and Genetic Information Nondiscrimination Act)

## What is PHI?

- **HIPAA Rules focus on PHI**
  - Protected Health Information
  - Defined in the HIPAA Rules as:
    - any information**, whether oral or recorded in any form or medium and **transmitted or maintained electronically**, that



## What is PHI?

- (1) Is created or received by a **health care provider, health plan, employer** [but not employment records], or **health care clearinghouse**; **and**
- (2) Relates to
  - [a] he past, present, or future physical or mental health or condition of an individual;
  - [b] he provision of health care to an individual; or
  - [c] the past, present, or future payment for the provision of health care to an individual; **and**
- (3) that identifies the individual [or can be used to identify the individual]



## HIPAA PHI – 18 Identifiers

So, PHI is any information that allows someone to link an individual with his or her physical or mental health condition or provision of healthcare services:

- |                                                              |                                                                                                           |
|--------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|
| 1. Names                                                     | 11. Certificate/license numbers                                                                           |
| 2. Any address smaller than a state                          | 12. VINs and license plate numbers                                                                        |
| 3. Birth date, admission date, discharge date, date of death | 13. Device identifiers and serial numbers                                                                 |
| 4. Telephone numbers                                         | 14. URLs                                                                                                  |
| 5. Fax numbers                                               | 15. IP addresses                                                                                          |
| 6. Email addresses                                           | 16. Biometric identifiers (e.g., finger prints )                                                          |
| 7. Social security numbers                                   | 17. Full face photographic images                                                                         |
| 8. Medical record numbers                                    | 18. Any other unique identifying number, characteristic, or code (except as permitted in the HIPAA Rules) |
| 9. Health plan beneficiary numbers                           |                                                                                                           |
| 10. Account numbers                                          |                                                                                                           |



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## Who is Regulated?

- Covered Entities
- Business Associates
- Subcontractors



## Covered Entities

- **Covered Entities**
- Business Associates
- Subcontractors

- |    |                                                                                                  |
|----|--------------------------------------------------------------------------------------------------|
| 1) | Health plan                                                                                      |
| 2) | Health care clearinghouse                                                                        |
| 3) | Health care provider who transmits any health information in electronic form<br>45 CFR § 160.102 |



## Business Associates

- Covered Entities
- **Business Associates** →
- Subcontractors

A company that ... *On behalf of a covered entity* . . . **creates, receives, maintains, or transmits [PHI]** for a function or activity regulated by [HIPAA] [(e.g.,) claims processing, data analysis, quality assurance, patient safety activities, billing, benefit management, practice management( )] . . . including a **company that provides data transmission services with respect to PHI to a covered entity and that requires access on a routine basis to such PHI**

45 CFR § 160.102

## Business Associates

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45 CFR § 160.102

## Business Associates

- What does it mean to **“access on a routine basis”**

“Business Associate” vs. “Mere Conduit”	
<ul style="list-style-type: none"> <li>- an entity that requires access to PHI to perform a service for a CE (e.g., HIO that manages the exchange of PHI through a network)</li> <li>- an entity that <b>maintains</b> PHI on behalf of a CE <b>is a BA, even if the entity does not actually view the PHI</b></li> </ul> <p style="font-size: x-small;">78 F.R. 5571 – 72 (Jan. 25, 2013)</p>	<ul style="list-style-type: none"> <li>- conduit exception is <b>narrow</b></li> <li>- intended to exclude only those entities providing mere courier services (e.g., USPS, UPS) and their electronic equivalents (e.g., ISPs), including any temporary storage of the transmitted data incident to such transmission</li> <li>- conduit transports information but does not access it other than on a random or infrequent basis as necessary to perform the transport service or as required</li> </ul>

## Business Associates

- What does it mean to **“access on a routine basis”**

In the Final Rule, HHS explained

We recognize that in both [the BA and mere conduit] situations, the entity providing the service to the CE has the opportunity to access the PHI.

However, the difference between the two situations is **the transient versus persistent nature** of that opportunity.

For example, a **data storage company** that has access to PHI (whether digital or hard copy) qualifies as a BA, even if the entity does not view the information or only does so on a random or infrequent basis.

78 F.R. 5572 (Jan. 25, 2013)

78 F.R. 5571 – 72 (Jan. 25, 2013)

## Business Associates

- Consider –
  - Does your company do business with anyone associated with healthcare?
  - Is PHI involved?
  - Is your company an ISP?

X

**= Undertake the BA analysis because “determining whether a company is a BA is a fact specific analysis”** (78 F.R. 5571 – 72 (Jan. 25, 2013))

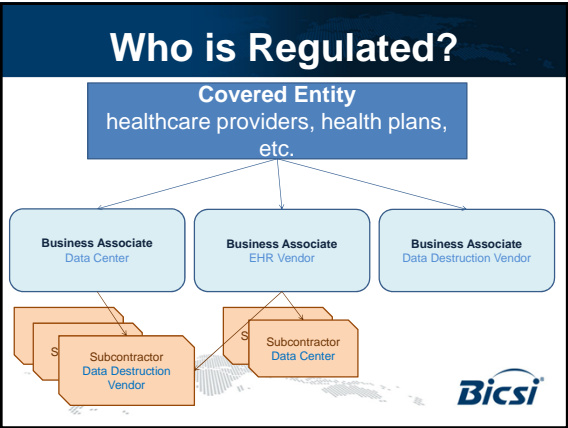
## Subcontractors

- Covered Entities
- Business Associates
- **Subcontractors**

A company to whom a business associate delegates a HIPAA covered function, activity, or service

A business associate includes . . . (iii) A subcontractor that creates, receives, maintains, or transmits PHI on behalf of the business associate

See 45 CFR § 160.102



## Why Should You Care?

- **Before the HITECH Act**
  - BA/Sub was *not* subject to direct enforcement (as a result of DOJ interpretation)
  - BA's/Sub's obligation arose solely under the terms of the BA agreement (BAA) with a CE (or subcontractor agreement between BA and sub)
  - BA/Sub was subject only to contractual remedies for breach of the BAA (or Sub-agreement)
- HITECH changed a few things

**Bicsi**

## Why Should You Care?

- Does your company fit into the category of
  - Business associate?
  - Subcontractor of a business associate?
 Yes? = Regulated under Federal Law per HITECH and HIPAA Omnibus Rule
 

Regulated = Federal Compliance Obligations

**Bicsi**

## Why Should You Care?

- Because CEs are financially responsible for the HIPAA violations of their BAs, and BAs are financially responsible for the HIPAA violations committed by their Subcontractors

**Bicsi**

## Why Should You Care?

- Because CE are financially responsible

<p><b>A covered entity is liable</b>, in accordance with the Federal common law of agency, <b>for a civil money penalty</b> for a violation based on the act or omission of any agent of the covered entity, <b>including a workforce member or business associate</b>, acting within the scope of the agency.</p> <p style="font-size: small;">45 CFR § 160.402(c)(1)</p>	<p><b>A business associate is liable</b>, in accordance with the Federal common law of agency, <b>for a civil money penalty</b> for a violation based on the act or omission of any agent of the business associate, <b>including a workforce member or subcontractor</b>, acting within the scope of the agency.</p> <p style="font-size: small;">45 CFR § 160.402(c)(1)</p>
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

## Financial Penalties


### Categories of Violations and Penalties

Violation - § 1176(a)(1)	Each violation	All such violations of an identical provision in a calendar year
Did Not Know	\$100–\$50,000	\$1.5 M
Reasonable Cause	\$1,000–\$50,000	\$1.5 M
Willful Neglect - Corrected	\$10,000–\$50,000	\$1.5 M
Willful Neglect - Not Corrected	\$50,000	\$1.5 M



## Compliance Obligations

- BA Compliance Obligations after HITECH
  - Direct compliance with HIPAA Security Rule requirements
  - Directly liable for impermissible uses and disclosures of PHI
  - Provide CE with notice of breach as set out in the Breach Notification Rule




## Compliance Obligations

- BA Compliance Obligations after HITECH (cont.)
  - Must provide access to a copy of ePHI to the CE (or the individual)
  - Provide PHI if required by the HHS Secretary to investigate the BA's compliance with HIPAA
  - Provide an accounting of disclosures as required by HITECH
  - Enter into Business Associate Agreements (BAAs) with subcontractors

## Compliance Obligations


- Subcontractor Compliance Obligations
  - Responsibility for compliance travels with PHI
  - BA required to obtain "satisfactory assurances" in the form of a written contract, that the Sub will safeguard PHI
  - Required to comply with HIPAA Rules like BAs



## Compliance Obligations

- Subcontractor Compliance Obligations
  - Responsibility for compliance travels with PHI
  - BA required to obtain "satisfactory assurances" in the form of a written contract, that the Sub will safeguard PHI
  - Required to comply with HIPAA Rules like BAs


"Covered entities must ensure that they obtain satisfactory assurances required by the Rules from their business associates, and business associates must do the same with regard to subcontractors, and so on, *no matter how far down the chain the information flows*. This ensures that individuals' health information remains protected by all parties that create, receive, maintain, or transmit the information in order for a covered entity to perform its health care functions." 78 FR 5574 (Jan. 25, 2013)



## HIPAA Security Rule

- Must implement policies and procedures in the same manner as a CE
  - Workforce training policy
  - IT Security review process and policy (e.g., frequency of review of audit logs, access reports, security incidents)
  - Security incident response policy

*And more...*




## HIPAA Security Rule

- Must implement administrative, physical, and technical safeguards

Administrative	Physical	Technical
- Risk Analysis	- Facility Security	- Unique User
- Risk Management	- Plan	- Identification
- Sanctions Policy	- Maintenance	- Emergency
- Info. Systems	- Records	- Access
- Activity Review	- Workstation Use	- Procedures
- Workforce	- Workstation	- Auto Logoff
- Clearance	- Security	- Encryption/Decry
- Data Backup Plan	- Device/Media	- ption
<i>and more...</i> 45 CFR 164.308(a)	- Disposal	<i>and more</i> Bicsi
	- Device/Media	164.312


## HIPAA Security Rule

- A few notes....
  - Risk Analysis process is an ongoing effort → must proactively monitor new rules, regulations, and guidance (usually by way of enforcement action)
  - Given the IT industry's interest in compliance, many orgs. will already have most of the requirements in place
  - Security Rule reflects prudent risk management practices and flexible standards → BUT, must review and document why did not implement
  - Requirements must be passed down to subcontractors



## HIPAA Privacy Rule


- Subject to direct enforcement of HIPAA Privacy obligations and penalties *in the same manner as a CE*, BUT only to the extent required under HITECH
- Privacy Rule has many requirements, but obligations limited to those required under HITECH



## HIPAA Privacy Rule


- Disclosure of PHI must be kept to limited data set or minimum necessary
- Patient has right to a copy of PHI in an electronic format
- Sale of PHI prohibited unless specifically authorized by the patient
- **Provide an accounting of disclosures**

And more...



## HIPAA Breach Notification

- Must notify CE in the event of a breach of *unsecured* PHI
  - Notice must be made w/o unreasonable delay and not more than 60 days from when the breach was discovered (check your contract b/c has shorter time)
    - An exception for law enforcement exists




## HIPAA Breach Notification

"breach" means the 'unauthorized acquisition, access, use, or disclosure of [PHI] which compromises the security or privacy of such information, **except**

- if "unintentional...acquisition, access, or use was made in **good faith** and **within the scope of authority** and does not result in further use or disclosure"
- where there is a "good faith belief" that the unauthorized **person cannot "retain"** the information
- inadvertent disclosure by a person who is authorized to access the PHI and the disclosure was made to another person authorized to access the PHI and the information is not further used or disclosed  
HITECH Act § 13400(1)(A), 45 CFR § § 164.402

If a breach is reasonable from when check your consent exists




## HIPAA Breach Notification

An impermissible use or disclosure of PHI "is **presumed to be a breach** unless the ... business associate... demonstrates that there is a **low probability** that the [PHI] has been compromised **based on a risk assessment** of at least the following factors"

- (i) nature and extent of the [PHI] involved, including the types of identifiers and the likelihood of re-identification;
- (ii) the unauthorized person who used the [PHI] or to whom the disclosure was made;
- (iii) whether the [PHI] was actually acquired or viewed; and
- (iv) extent to which the risk to the [PHI] has been mitigated.  
45 CFR § § 164.402

If a breach is reasonable from when check your consent exists






## HIPAA Breach Notification

- BA must notify CE in the event of a breach of **unsecured PHI**
  - Notice must be made **w/o unreasonable delay and not more than 60 days from when the breach was discovered** (check your

“The covered entity is ultimately responsible for providing individuals with notification of breaches.”

“The time period for breach notification **begins when the incident is first known**, not when the investigation of the incident is complete... even if it is not yet clear whether the incident qualifies as a breach for purposes of this rule.”

78 FR 5648, 5656 (Jan. 25, 2013)




## HIPAA Breach Notification

- BA must notify CE in the event of a breach of **unsecured PHI**
  - Notice must be made **w/o unreasonable delay and not more than 60 days from when the breach was discovered** (check your
  - An exception for law

A breach is discovered “as of the first day on which such breach is known to the [BA] **or by exercising reasonable diligence** would have been known to the [BA], . . . [including] known, or by exercising reasonable diligence would have been known, to any person, other than the person committing the breach, who is an **employee, officer, or other agent** of the [BA].”

45 CFR 164.410(a)(2)




## HIPAA Breach Notification

- BA must notify CE in the event of a breach of **unsecured PHI**
  - Notice must be made **w/o unreasonable delay and not more than 60 days from when the breach was discovered** (check your
  - An exception for law

“With respect to timing, if a [BA] is acting as an agent of a [CE], then, pursuant to § 164.404(a)(2), the [BA’s] discovery of the breach **will be imputed to the [CE]**. In such circumstances, the [CE] must provide notifications under § 164.404(a) based on the time the [BA] discovers the breach, not from the time the [BA] notifies the [CE].”

45 CFR 164.410(a)(2)




## HIPAA Breach Notification

- BA must notify CE in the event of a breach of **unsecured PHI**
  - Notice must be made **w/o unreasonable delay and not more than 60 days from when the breach was discovered** (check your
  - An exception for law

**Unsecured PHI** means PHI “that is not secured through the use of a technology or methodology specified by the Secretary in guidance . . . specifying the technologies and methodologies that render [PHI] **unreadable, or indecipherable to unauthorized individuals**.”


What does this mean?  
If PHI is encrypted, then no reporting!

HITECH Act § 13402(h)



## HIPAA Breach Notification

- When is a breach notification **not** required?
  - When the PHI is secured to make it “**unreadable, unreadable, or indecipherable to unauthorized individuals**”
  - When a CE or BA, as applicable, “**demonstrates through a risk assessment that there is a low probability** that the [PHI] has been compromised” 78 FR 5641 (Jan. 25, 2013)
    - *But, whether BA can make this assessment will depend on the BAA; generally a CE will want to make the determination*




## HIPAA Breach Notification

- If breach impacts 500+ individuals, go on public wall of shame

As of Jan. 3, 2014, 27,852,574 patients impacted

Name of Covered Entity	State	Business Associate Involved	Date of Breach	Type of Breach
Aetna Health Services	RI	Aetna Health, Inc.	3/1/11	Mail
Arch Memorial Services	MI	Aetna Health, Inc.	5/2/11	Mail
Department of Health Services	WA	ACE, Allied Computer Serv	1/16/11	Access/Disclosure
City of Logan	TX	Advanca Data Processing, Inc.	8/10/12	Mail
Hennepin County EMS	MI	Advanca Data Processing, Inc.	9/10/12	Mail
City of South College Hill	TX	Advanca Data Processing, Inc.	8/10/12	Mail
City of Logan - Fire EMS Department	TX	Advanca Data Processing, Inc.	8/10/12	Mail
Hall County EMS	TX	Advanca Data Processing, Inc.	8/10/12	Mail
Hall County EMS	TX	Advanca Data Processing, Inc.	8/10/12	Mail
St. Francis Health Network	IA	Athenahealth Systems, Inc.	3/7/11	Other
Metropolitan Police Department	DC	Agnet Benefits Corporation	1/17/12	Unauthorized Access
Health and Social Services	AK	Axiant ACS Insurance Assoc	9/20/12	Mail
Blue Cross Blue Shield of Michigan	MI	Blue Cross Insurance Bene	6/3/12	Mail
Providence (Washington), US	OR	AXEON Medical Management	4/16/12	Mail
State of Oklahoma Health Plan	OK	All County Medical Management	6/15/12	Unauthorized Access
Ohio Health Services	OH	Avaya Health Care Support Gr	8/1/11	Unauthorized Access
Ohio Health Plan	OH	Avaya Agency of Aging, Ohio Inc	8/1/11	Mail
Essex Health Services	MA	Axiant ACS Insurance Assoc	9/20/12	Mail



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## Regulators and Enforcers

- **HHS Office of Civil Rights (OCR)**
  - HIPAA/HITECH
  - Primarily Settlement Agreements
  - **Litigation turned over to AUSA, DO.**
- **States' Attorneys General**
  - HIPAA by virtue of HITECH
  - State Laws



## Regulators and Enforcers

- **Federal Trade Commission**
  - Section 5 - "unfair or deceptive acts or practices in or affecting commerce ...are... declared unlawful."
- **Private Plaintiffs**
  - Primarily data breach class actions
    - Filed under violations of state law
    - No private right of action under HIPAA



## Regulators and Enforcers

- **State Boards**
  - Board of Medicine, Board of Nursing, Board of Dentistry, etc.
  - State privacy laws and 'ethics' rules
- **Consumer Review Sites, Social Media**
  - Not regulators or enforcers in traditional sense, but bad publicity leads to action



## Case Study: OCR

- Since the compliance date in April 2003
  - Received over 89,045 HIPAA complaints
  - Resolved complaints through -
    - investigation and enforcement (over 21,942)
    - investigation and finding no violation (9,869)
    - closure of cases that were not eligible for enforcement (51,910)



## Case Study: OCR

- To date, enforcement has focused on Covered Entities
- But, now that the HIPAA Final Rule is in full effect, OCR will be investigating and issuing enforcement actions against BAs and Subcontractors



## Case Study: OCR

### • Compliance issues investigated most:

- impermissible uses and disclosures of PHI
- lack of safeguards of PHI
- lack of patient access to their PHI
- uses or disclosures of more than the minimum necessary PHI
- lack of administrative safeguards of ePHI



## Case Study: OCR

### OCR has taken action against:

Entity	Amount	Rules	Breach	Incident	Settlement
Cignet Health	\$4.3M	Privacy Rule, \$3M for willful neglect per HITECH	Denying patients access to medical records	Prior to 3/1/2009	2/4/2011 (this was <u>not</u> a settlement)
General Hospital Corp. & Physicians Org.	\$1M	Privacy Rule	Left documents on subway	3/9/2009	2/14/2011
UCLA Health System	\$865,500	Privacy & Security	Workers snooping on	Prior to	7/5/2011



## Case Study: OCR

### OCR has taken action against:

Entity	Amount	Rules	Breach	Incident	Settlement
Blue Cross Blue Shield of TN	\$1.5M	Privacy & Security Rules	unencrypted hard drives stolen from a leased facility	Prior to 11/3/2009 (self reported)	3/13/2012
Phoenix Cardiac Surgery	\$100K	Privacy & Security Rules	posting appt. on an online, publicly accessible calendar	Prior to 2/19/2009	4/11/2012
Alaska Dept. of	\$1.7M	Privacy & Security	unencrypted portable media	10/12/09 (self-reported)	6/25/2012



## Case Study: OCR

### OCR has taken action against:

Entity	Amount	Rules	Breach	Incident	Settlement
Massachusetts Eye and Ear Infirmary	\$1.5M	Privacy & Security Rules	theft of unencrypted personal laptop while at conference	Prior to 4/21/10	9/13/2012 (self reported)
Hospice of Northern Idaho	\$50K	Security Rule	theft of unencrypted laptop (less than 500 patients)	Prior to 2/16/11	12/17/2012 (self reported)
Idaho State University	\$400K	Security Rule	disabled server firewall for ~ 10	Prior to 8/9/2011	5/10/2013



## Case Study: OCR

### OCR has taken action against:

Entity	Amount	Rules	Breach	Incident	Settlement
Shasta Regional Medical Center -	\$275K	Privacy Rule	senior leaders at co. met w/media to discuss medical services provided to a patient w/o a valid written authorization	1/4/2012 (read article in LA Times)	6/3/2013
WellPoint	\$1.7	Privacy & Security Rules	software update to web-based database left	Prior to 6/18/10 (self-reported)	7/8/2013



## Case Study: OCR

### OCR has taken action against:

Entity	Amount	Rules	Breach	Incident	Settlement
Affinity Health Plan	\$1,215,780	Privacy and Security Rules	returned copiers to a leasing agent w/o erasing the copier hard drives	Prior to 4/15/10	8/7/2013 (self reported)
Adult & Pediatric Dermatology	\$150K	Privacy, Security & Breach Notification Rules	theft of unencrypted personal thumb drive from employee vehicle	Prior to 10/7/11	12/24/2013 (self reported)



## Case Study: OCR

- A few Identified Problems
  - Failure to conduct a Risk Analysis in response to new environment
    - *BCBSTN* – Changed offices
    - *WellPoint* – Installed software upgrade
    - *Alaska DHHS* – Never conducted an assessment



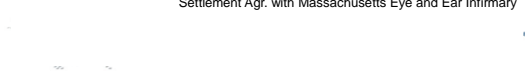
## Case Study: OCR

- A few Identified Problems
  - Workforce members
    - Failure to train and train on an on-going basis
    - Failure to “apply appropriate sanctions”
    - Failure to install security measures to monitor unauthorized access
    - *UCLA case* – workforce members repeatedly snooping on patients between 2005 – 08



## Case Study: OCR

- A few Identified Problems
  - Portable devices
    - Lack of encryption/security measures
    - Lack of policies and procedures to address
      - Incident identification, reporting, and response
      - Restricting access to authorized users
      - “To provide [CE] with a reasonable means of knowing whether or what type of portable devices were being used to access its network”  
Settlement Agr. with Massachusetts Eye and Ear Infirmary



## Case Study: OCR

- OCR Corrective Action Plans
  - Comprehensive Risk Analysis
  - A written implementation report describing how entity will achieve compliance
  - Revised policies and procedures
  - Additional employee training
  - Monitoring – Internal and 3<sup>rd</sup> Party
  - Term is 1 – 3 years, with document retention period of 6 years



## Case Stud: State AGs

- HITECH granted State AG’s power to enforce HIPAA
- OCR offers training and technical assistance on enforcement to AGs throughout the US
- AGs sue as *parens patriae* to recover on behalf of residents



## Case Stud: State AGs

- Actions based on HIPAA
  - Connecticut AG first to file, settled with **HealthNet** for \$250,000 + compliance
  - Vermont AG entered into a consent decree with **HealthNet**; required payment of \$55,000, to submit to a data-security audit, and file reports with Vermont regarding information security programs for 2 years





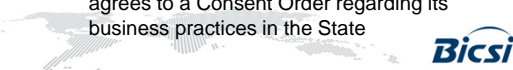
## Case Stud: State AGs

- Actions based on HIPAA
  - Minnesota AG is the **first to take action against a business associate**, Accretive Health, Inc.
  - Action filed in 2012, after an unencrypted laptop containing PHI was stolen out of an Accretive employee's car
    - Laptop contained sensitive (name, address, etc.) and highly sensitive information (mental health, STDs)



## Case Stud: State AGs

- Minnesota AG Action
  - Accretive settled with Minnesota AG
    - Accretive agreed to cease all operations in Minnesota within ... 90 days, or by November 1, 2012
    - Company is subject to an **outright ban on operating in Minnesota for two years**, after which, for the next four years, it can only reenter the State if the Attorney General agrees to a Consent Order regarding its business practices in the State



## Case Stud: State AGs

- Actions based on State Law
  - Indiana AG sued WellPoint under Indiana state law which requires notification "without unreasonable delay"
  - WellPoint notified as early as Feb. 22, 2010 and again on March 8, 2010 that PHI publicly available online
  - Began notifying customers on June 18, 2010
  - Notified AG's office on July 30, 2010



## Case Study: FTC

- FTC "works for consumers to prevent fraudulent, deceptive, and unfair business practices"
- Has authority to pursue any company that has engaged in "**unfair or deceptive acts or practices** in or affecting commerce"



## Case Study: FTC

- Recent privacy related settlements
  - Accretive Health
    - Action based on the **same theft** of unencrypted laptop that triggered the Minnesota AG action
      - Theft happened in July 2011
      - Minnesota settled in July 2013
      - FTC settled (proposed) in December 2013




## Case Study: FTC

- FTC:
  - Until at least July 2011, Accretive failed to provide reasonable and appropriate security for consumers' personal information it collected and maintained **by engaging in a number of practices that, taken together, unreasonably and unnecessarily exposed consumers' personal data to unauthorized access**. Among other things, Accretive Health created unnecessary risks of unauthorized access or theft of PI by [a number of actions].




## Case Study: FTC

- Recent privacy related settlements
  - Goldenshores Technologies, LLC (and company's founder individually)
    - FTC settled (proposed) in Dec. 5, 2013
    - Mobile app development company - "Brightest Flashlight Free" app



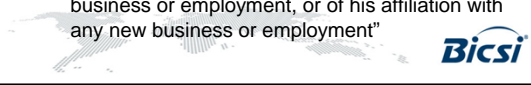
## Case Study: FTC

- Goldenshores Matter
  - App transmitted geolocation with persistent device identifiers to third parties, including advertising networks
  - Problems
    - Privacy Policy failed to tell users that geolocation and persistent device identifiers transmitted
    - Consumers do not have a "true" opportunity to decline terms – app installs and starts transmitting before EULA appears



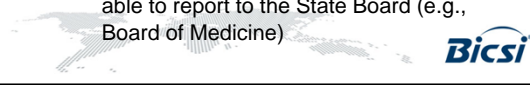
## Case Study: FTC

- What does the FTC require for remediation?
  - Consent order calls for a 20 year compliance period, generally with 3<sup>rd</sup> party audits every 2 years
  - In Goldenshores, the owner is required, "for a period of ten (10) years after the date of issuance of this order, shall notify the Commission of the discontinuance of his current business or employment, or of his affiliation with any new business or employment"




## Case Study: Private Plaintiffs

- When a privacy related breach happens...
  - HIPAA
    - No private right of action for impacted individuals
    - Two options: (1) report it to the Office of Civil Rights, (2) report it to the AGs Office
    - Depending on what happened, may also be able to report to the State Board (e.g., Board of Medicine)




## Case Study: Private Plaintiffs

- When a privacy related breach happens
  - Private Plaintiffs must look to state law; file claims for
    - Negligence
    - Intentional infliction of emotional distress
    - Breach of confidentiality
    - Invasion of privacy



## Case Study: Private Plaintiffs



- Data breach class actions
  - AvMed Health Plan
    - In 2009, unencrypted computers stolen from office during a break-in
    - Class action filed in Florida
      - Theory that some portion of the premiums was to go to security
      - Some suffered identity theft while others did not







## Case Study: Private Plaintiffs

- AvMed Settlement
  - Settled in October 2013 for \$3M
  - Also agreed to:
    - mandatory security training for employees;
    - mandatory training on appropriate laptop use and security;
    - updating company computers with additional security mechanisms, including GPS tracking technology;
    - new password protocols and full disk encryption technology on all company computers;
    - physical security upgrades; and
    - review and revision of written policies and procedures for information security.



## Case Study: Private Plaintiffs

- Sutter Health
  - In de
  - Lawsuits seeking damages between \$1 Billion and \$4.5 Billion (based on class size)
  - 11 \$1 (statute)

## Case Study: Private Plaintiffs

- There are currently a number of healthcare data breach related class actions pending
- Data breach class actions are difficult for plaintiffs to win
- But, litigation is not free
  - AvMed Settlement is \$3M
  - \$750,000 of that is going to attorney fees



## Outline

- I. What is Privacy and what is PHI?
- II. What is Privacy in Healthcare and Why Should Data Centers and IT Vendors Care?
  - A. Regulatory Framework
  - B. Who are the Regulators and Enforcers?
  - C. Case Studies
- III. What Should You do Now?




## What Should You do Now?

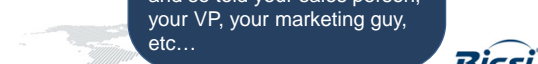

- Consider the options
  - Does your company want to provide services to covered entities (i.e., healthcare providers, etc.)
  - What about to business associates of these CEs?

## What Should You do Now?

- Take an inventory
  - Does *Why in writing?*
  - Is yo
  - CE
  - N
  - A

Anyone in IT will tell you that data breaches are inevitable. So, when that breach happens, the attorney from the other side will say, well, you knew! Why? Because so and so told your sales person, your VP, your marketing guy, etc...

## What Should You Do Now?

- **Undertake a Risk Analysis**

- “Conduct an accurate and thorough assessment of the potential risks and vulnerabilities to the confidentiality, integrity, and availability of electronic protected health information held by the covered entity or business associate.”

45 CFR § 164.308(a)(1)(ii)



## What Should You Do Now?

- **Draft a Business Associate Agreement to fit the services you provide**

- “Standard” BAAs do not generally fit the services data centers and most IT vendors provide
- “Standard” BAAs generally have terms that contradict a master agreement



## What Should You Do Now?

- **Consider ...**

- Business Associate shall **make any amendment(s) to Protected Health Information** as directed by the Covered Entity, as requested by the Covered Entity, or as requested by the Business Associate, in a manner and within the time period set forth in 45 C.F.R. § 164.526(b)(2).

*Why agree to things that you do not do? Are you sure you want that in writing?*



## What Should You Do Now?

- **Consider ...**

**Indemnification.** The Business Associate shall defend, indemnify and hold the Covered Entity, its agents, employees, subcontractors, and vendors harmless against any and all losses, claims, demands, judgments, damages, and costs, including without limitation reasonable attorneys' fees, which arise out of any use of the Business Associate or the subcontractor of the Business Associate, if such disclosure is not specifically excluded in the Business Associate Agreement.

**Problems**

- Do you have a Master Services Agreement? Does this provision match?
- One sided
- Where is the reference to the damages cap?



## What Should You Do Now?

- **Train your workforce on**

- HIPAA Privacy
- HIPAA Security
- HIPAA Breach Notification

Get written confirmation of training completion



## What Should You Do Now?

- **Purchase cyber liability insurance**

- Be sure to review the policy terms
  - Some policies **exclude coverage** for damages that arise out of activity that is contrary to your “Privacy Policy”
  - ... What does your Privacy Policy say exactly?



## Disclaimer

This slide presentation is informational only and was prepared to summarize relevant legal considerations when evaluating obligations under HIPAA/HITECH. It does not constitute legal or professional advice.

You are encouraged to consult with an attorney if you have specific questions relating to any of the topics covered in his presentation, and Melnik Legal PLLC would be pleased to assist you on these matters.



## Questions?

Any Questions?

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¿ Alguna Preguntas?  
(Spanish)

Yu' vay' ?  
(Klingon)

Haben Sie Fragen?  
(German)

質問 ?  
(Japanese)

